

Message Text

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PAGE 01 KUALA 07943 010220Z
ACTION EA-12

INFO OCT-01 ISO-00 SOE-02 AID-05 CEA-01 CIAE-00
COME-00 DODE-00 EB-08 DOE-15 H-01 INR-10 INT-05
L-03 NSAE-00 NSC-05 OMB-01 PM-05 ICA-11 OES-09
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FM AMEMBASSY KUALA LUMPUR
TO SECSTATE WAHSC 6953
INFO AMEMBASSY BANGKOK
AMEMBASSY JAKARTA
AMEMBASSY MANILA
AMEMBASSY SINGAPORE

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E. O. 11652: N/A
TAGS: ENRG, EARL, MY
SUBJ: CONOCO SELLS FORMER CONCESSION RIGHTS BACK TO PETRONAS

REF: STATE 138834

1. MR. CHARLES BRENNIG OF CONOCO TODAY CALLED ON THE AMBASSADOR AND INFORMED HIM THAT THEY AND THEIR PARTNERS HAVE REACHED AN AGREEMENT WITH PETRONAS CARIGALI (THE EXPLORATION SUBSIDIARY OF PETRONAS) TO SELL THEIR RIGHTS ON THEIR FORMER CONCESSION AREA TO PETRONAS CARIGALI FOLLOWING THEIR FAILURE TO REACH AN AGREEMENT ON A PRODUCTION SHARING AGREEMENT AS SPELLED OUT IN REFTEL. BRENNIG SAID THAT BOTH CONOCO AND ITS PARTNERS IN THE CONCESSION WERE SATISFIED WITH THE TERMS OF THE SALE.

2. THE NEWS RELEASE REPORTING THE SALE WILL BE RELEASED LATE ON AUGUST 31 AND READS AS FOLLOWS: QUOTE JOINT PRESS STATEMENT -- CONTINENTAL OIL COMPANY OF MALAYSIA AND ITS PARTNERS, BROKEN HILL PROPRIETARY MALAYSIA AND EREX MALAYSIA
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PAGE 02 KUALA 07943 010220Z

INC. AND PETRONAS CARIGALI ARE HAPPY TO ANNOUNCE THAT COMPLETE AGREEMENT HAS NOW BEEN REACHED ON THE CONSIDERATION FOR THE ASSIGNMENT TO PETRONAS CARIGALI OF THE ENTIRE INTEREST OF CONOCO AND ITS PARTNERS IN THEIR FORMER CONCESSION AREA OFF THE EAST COAST OF PENINSULAR MALAYSIA. BOTH THE GOVERNMENT OF MALAYSIA AND PETRONAS HAVE BEEN INFORMED BY THE PARTIES AND THEIR CONSENT HAS BEEN OBTAINED. PARAGRAPH

AS A RESULT OF AN AGREEMENT SIGNED TODAY BETWEEN PETRONAS CARIGALI ON THE ONE SIDE AND CONOCO AND ITS PARTNERS ON THE OTHER, THE LATTER HAVE ASSIGNED TO PETRONAS CARIGALI THEIR ENTIRE RIGHTS, TITLE AND INTEREST UNDER THE PETROLEUM DEVELOPMENT ACT OVER THE AREA. PETRONAS CARIGALI WILL SOON SIGN A PRODUCTION SHARING CONTRACT WITH PETRONAS FOR PETROLEUM OPERATIONS IN THE AREA. PETRONAS CARIGALI WILL, AS A RESULT OF THIS TRANSACTION, OBTAIN A GOOD OPPORTUNITY TO TRAIN ITS MEN AND TO START ACTIVE OPERATIONS WITH IMMEDIATE EFFECT. PARAGRAPH THE PARTIES HAVE STATED THAT THEY ARE GRATIFIED THAT THIS AGREEMENT HAS BEEN REACHED AND THEY WOULD WELCOME THE OPPORTUNITY TO COOPERATE IN A MUTUALLY BENEFICIAL VENTURE IN THE FUTURE.

3. COMMENT: THIS APPEARS TO BE THE FINAL CHAPTER IN PETRONAS' PROBLEMS IN FINDING AN EQUITABLE MANNER OF DEALING WITH CONOCO AND KEEPING IN LINE WITH THEIR CONTRACT WITH ESSO. THIS MOVE ALSO REMOVES THE FINAL OBSTACLE TO FOREIGN INVESTMENT BROUGHT ABOUT BY THE PETROLEUM DEVELOPMENT ACT AMENDMENT OF 1975 AND AIDS IN COMBATTING PETRONAS', AND THE GOM'S, IMAGE OF ECONOMIC NATIONALISM. THE OVERALL EFFECT OF THIS SETTLEMENT ON THE INVESTMENT CLIMATE SHOULD BE POSITIVE.
MILLER

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